## Board Action Bulletin



Prepared by the Office of External Affairs

## NCUA BOARD MEETING RESULTS ON INTERNATIONAL CREDIT UNION DAY, OCTOBER 20, 2005

## Fidelity bond and insurance coverage rule finalized

The NCUA Board issued a final rule change amending Part 713, the rule that governs fidelity bond coverage for federal credit unions to:

- Increase minimum required coverage for fidelity bonds;
- Increase the permissible deductible amount for credit unions with assets over \$200 million that qualify under the Regulatory Flexibility Program; and
- Remove the listing of approved bond forms and carriers from the rule and, instead, indicate this information is available and will be updated on the NCUA website.

The Board also adopted a related technical correction to §741.201(b).

## NCUSIF quarterly report presented

The National Credit Union Share Insurance Fund (NCUSIF) ended the third quarter of 2005 with \$77.5 million in the provision for loan loss reserves. An additional \$9.1 million was added in September primarily due to an increase in general reserves as the result of the semi-annual review.

Through September, NCUSIF gross income was \$122.6 million, operating expense was \$61.1 million, insurance loss expense totaled \$18.0 million and net income was \$43.6 million. Net income is projected to reach \$60 million by year end.

Based on June 30, 2005, insured shares of \$513.5 billion, NCUSIF equity increased to 1.28 percent in September due to an increase in contributed capital. The NCUSIF equity ratio is projected to be 1.27 percent at year-end 2005. This is based on insurance loss expense of approximately \$20 - \$24 million in 2005 and share insurance growth of approximately 4 percent. While losses from Hurricane Katrina appear to be less than expected, any attributed losses will occur in 2006 rather than 2005.

Through September 30, 11 credit unions had failed in 2005 – 7 were involuntary liquidations and 4 were assisted mergers. There were 275 problem code credit unions at the end of September. These institutions represent 1.20 percent of total insured shares.

The Board meeting next month has been rescheduled to Tuesday, November 29.